

TOWNSHIPS OF PITTSFORD AND JEFFERSON
FIRE DEPARTMENT

AUDIT REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name <i>Townships of Pittsford & Jefferson Fire Department</i>		County HILLSDALE	
Fiscal Year End 03/31/06		Opinion Date 10/31/06		Date Audit Report Submitted to State 11/30/06			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C.			Telephone Number 517-849-2410	
Street Address 479 E. CHICAGO ROAD			City JONESVILLE	State MI
			Zip 49250	
Authorizing CPA Signature <i>Kelly S. Hodshire</i>		Printed Name KELLY S. HODSHIRE		License Number 1101020992

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

INDEPENDENT AUDITOR'S REPORT

Townships of Pittsford and Jefferson Fire Department
Pittsford, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department as of and for the year ended March 31, 2006, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships of Pittsford and Jefferson Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 2 - 4 and page 16, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, P.C.
Jonesville, Michigan
October 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents management's discussion and analysis of the Townships of Pittsford and Jefferson Fire Department's (Department) financial performance during the year ended March 31, 2006. Please read it in conjunction with the Department's financial statements, which immediately follow this section.

Financial Highlights

The Following represents the most significant financial highlights for the year ended March 31, 2006:

- The assets of the Department exceeded its liabilities at March 31, 2006 by \$389,359 (net assets). Of this amount, \$114,698 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets increased \$77,230.
- As of March 31, 2006, the Department's governmental fund reported an ending fund balance of \$114,698, an increase of \$7,088. The entire amount is available for spending at the Department's discretion (unreserved fund balance).

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide financial statements.

The Fire Department as a Whole

Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the Department's governmental activities. Since this is the first year for which the Department adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

<u>TABLE 1 - NET ASSETS</u>	<u>2006</u>
Assets	
Current Assets	\$ 114,698
Capital Assets (net of depreciation)	<u>274,661</u>
Total Assets	<u>\$ 389,359</u>
Liabilities	
Current Liabilities	\$ 0
Noncurrent Liabilities	<u>0</u>
Total Liabilities	<u>\$ 0</u>
Net Assets	
Invested in Capital Assets - Net of Related Debt	\$ 274,661
Unrestricted	<u>114,698</u>
Total Net Assets	<u>\$ 389,359</u>
Total Liabilities and Net Assets	<u>\$ 389,359</u>

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 2 - CHANGES IN NET ASSETS

Program Revenue	
Charges for Services	\$ 40,950
Capital Grants and Contributions	52,535
General Revenue	
Government Contributions	85,500
Interest Income	7,172
Other	<u>2,952</u>
Total Revenue	<u>\$ 189,109</u>
Expenses	
Public Safety	<u>\$ 111,879</u>
Total Expenses	<u>\$ 111,879</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 77,230</u>

Governmental Activities

The Department's governmental activities consist of providing fire protection service to Jefferson Township, Pittsford Township, and parts of Wheatland Township and Adams Township.

The Fire Department's Funds

Our analysis of the Department's major funds begins on page 7 following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, the only fund maintained by the Department at this time. The most significant expenditure items for the General Fund are capital outlay, wages, and insurance.

General Fund Budgetary Highlights

Over the course of the year, the Department amended the budget to take into account events during the year. The budget for equipment maintenance had to be increased to cover new tires and a water pump that had to be replaced.

General Asset and Debt Administration

The Department does not have title to any real property. The Township of Jefferson and the Township of Pittsford have title jointly to the land and building. The Department has title to the vehicles and equipment used in the Department's operations.

Factors Bearing on the Fire Department's Future

The condition of the State of Michigan's economy and its effect on revenue sharing to local governments will have a significant impact on the level of funding for the Department's annual operations and long term capital asset needs. The 2006-2007 budget was based primarily on the 2005-2006 fiscal year results. The department will need to replace an overhead door during the 2006-2007 fiscal year. The original 2006-2007 budget had grant income and a corresponding capital outlay expenditure of \$200,000 for a new fire truck that will have to be postponed until the 2007-2008 budget because the grant was not written in time for expenditure in the 2006-2007 year. Billings are being generated timely now which is increasing revenue collected by the department.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the Fire Department's Management

This report is designed to give an overview of the financial conditions of the Townships of Pittsford and Jefferson Fire Department. If you have questions about this report or need further information, please contact the Jefferson Township Clerk or Treasurer at (517) 523-3165.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 99,303
Accounts Receivable	15,395
Capital Assets - Net	<u>274,661</u>
Total Assets	<u>\$ 389,359</u>
 LIABILITIES	
Accounts Payable	\$ <u>0</u>
Total Liabilities	<u>\$ 0</u>
 NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	\$ 274,661
Unrestricted	<u>114,698</u>
Total Net Assets	<u>\$ 389,359</u>
Total Liabilities and Net Assets	<u>\$ 389,359</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Program Revenues</u>			Net
	Charges for	Operating	Capital	(Expense)
<u>Functions/Programs</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Revenue</u>
Governmental Activities:				
Public Safety	\$ 111,879	\$ 0	\$ 52,535	\$ (18,394)
Total Governmental Activities	<u>\$ 111,879</u>	<u>\$ 0</u>	<u>\$ 52,535</u>	<u>\$ (18,394)</u>
General Revenues:				
Government Contributions				\$ 85,500
Interest Income				7,172
Miscellaneous				<u>2,952</u>
Total General Revenues				<u>\$ 95,624</u>
Change in Net Assets				\$ 77,230
Net Assets - Beginning				<u>312,129</u>
Net Assets - Ending				<u><u>\$ 389,359</u></u>

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 99,303	\$ 99,303
Accounts Receivable	<u>15,395</u>	<u>15,395</u>
Total Assets	<u>\$ 114,698</u>	<u>\$ 114,698</u>
 LIABILITIES		
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
 FUND BALANCE		
Unreserved	<u>\$ 114,698</u>	<u>\$ 114,698</u>
Total Fund Balance	<u>\$ 114,698</u>	<u>\$ 114,698</u>
Total Liabilities and Fund Balance	<u>\$ 114,698</u>	<u>\$ 114,698</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balance - total governmental funds	\$ 114,698
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds

Add: Capital Assets	526,774
Deduct: Accumulated Depreciation	<u>(252,113)</u>

Net assets of governmental activities	<u>\$ 389,359</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	General Fund	Total Governmental Funds
REVENUE		
Government Contributions	\$ 85,500	\$ 85,500
Charges for Services - Fire runs	40,950	40,950
Interest Income	7,172	7,172
Grant Income	52,535	52,535
Other Income	<u>2,952</u>	<u>2,952</u>
Total Revenue	<u>\$ 189,109</u>	<u>\$ 189,109</u>
EXPENDITURES		
Salaries and Wages	\$ 26,243	\$ 26,243
Payroll Taxes	2,008	2,008
Office Supplies	1,961	1,961
Operating Supplies	8,478	8,478
Memberships	1,566	1,566
Utilities	5,485	5,485
Training and Education	6,807	6,807
Insurance	19,026	19,026
Building Maintenance	1,201	1,201
Equipment Maintenance	13,740	13,740
Capital Outlay	<u>95,506</u>	<u>95,506</u>
Total Expenditures	<u>\$ 182,021</u>	<u>\$ 182,021</u>
Excess of Revenue Over (Under) Expenditures	\$ 7,088	\$ 7,088
FUND BALANCE - April 1, 2005	<u>107,610</u>	<u>107,610</u>
FUND BALANCE - March 31, 2006	<u><u>\$ 114,698</u></u>	<u><u>\$ 114,698</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds	\$ 7,088
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Deduct: Depreciation Expense	(25,364)
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Add: Capital Outlay Expenditure	<u>95,506</u>
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Change in net assets of governmental activities	<u>\$ 77,230</u>
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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Townships of Pittsford and Jefferson Fire Department (the "Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
A Management Discussion and Analysis (MD&A) section providing an analysis of the Department's overall financial position and results of operations.

Financial Statements prepared using full accrual accounting for all of the Department's activities, including fixed assets (buildings, equipment, vehicles, etc.).

- A change in the fund financial statements to focus on major funds.

The Department has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of the significant accounting policies used by the Department:

Financial Reporting Entity

The Townships of Pittsford and Jefferson Fire Department is a joint venture between Jefferson Township and Pittsford Township in Hillsdale County, Michigan. It is governed by a five-member board comprised of two members from each township and one member chosen by the board.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Department as a whole. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Department's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Department, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Department.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements - Fund financial statements report detailed information about the Department. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The Department records all activities within the General Fund - - no other funds are required.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. Under the modified accrual basis, government contributions and grants are considered to be both measurable and available at fiscal year-end.

Financial Statement Presentation

The Department uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Department functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Department reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Department has not yet established a capitalization threshold. The Department does not possess any infrastructure. As of March 31, 2006, the land and buildings are titled jointly to

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jefferson Township and Pittsford Township. The Department has title to the vehicles and equipment used in the Department's operations.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Fire Equipment	5-20 years
Building	50 years
Fire Vehicles	10-20 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Fire Board at the line-item level. Any budgetary modifications may only be made by resolution of the Fire Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Department follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to March 31, the Department submits a proposed operating budget for the upcoming fiscal year to Jefferson Township and Pittsford Township boards for approval.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) The Fire Board is authorized to transfer budgeted amounts between line items; however, the Jefferson Township board and the Pittsford Township board must approve any revisions that change the total expenditures of the Department.
- 5) During the year the budget is monitored, and amendments to the budget are made when deemed necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Payroll Taxes	\$ 1,914	\$ 2,008	\$ 94
Operating Supplies	5,661	8,478	2,817
Membership Dues	781	1,566	785
Insurance	17,386	19,026	1,640

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Department to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2006, the Department's deposits are in accordance with statutory authority.

Following are the components of the Department's bank deposits at March 31, 2006:

Checking account	\$ 6,252
Savings account	17,358
Certificates of Deposit	<u>75,693</u>
Total	<u>\$ 99,303</u>

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk. At March 31, 2006, the carrying amount of the Department's deposits was \$99,303 and the bank balance was \$103,621. Of this balance, \$100,000 was covered by federal depository insurance and \$3,621 was uninsured.

Investments

There were no investments held during the year.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 500	\$ 0	\$ 0	\$ 500
Capital assets being depreciated				
Buildings	\$ 13,950	\$ 0	\$ 0	\$ 13,950
Equipment	139,738	95,506	0	235,244
Vehicles	<u>277,080</u>	<u>0</u>	<u>0</u>	<u>277,080</u>
Subtotal	<u>\$ 430,768</u>	<u>\$ 95,506</u>	<u>\$ 0</u>	<u>\$526,274</u>
Less: accumulated depreciation for				
Buildings	\$ (11,390)	\$ (199)	\$ 0	\$ (11,589)
Equipment	(43,033)	(16,206)	0	(59,239)
Vehicles	<u>(172,326)</u>	<u>(8,959)</u>	<u>0</u>	<u>(181,285)</u>
Subtotal	<u>\$ (226,749)</u>	<u>\$ (25,364)</u>	<u>\$ 0</u>	<u>\$ (252,113)</u>

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 4 - CAPITAL ASSETS (continued)

Total capital assets being depreciated, net	\$ 204,019	\$ 70,142	\$ 0	\$ 274,161
Total Capital assets, net	\$ 204,519	\$ 70,142	\$ 0	\$ 274,661

Total depreciation expense for the year was \$25,364.

NOTE 5 - UNEMPLOYMENT TAXES

The Department is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 6 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Department has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, physical damage, workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 7 - RESTATEMENTS

As of and for the year ended March 31, 2006, the Department implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended March 31, 2006, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances of General Fund as of March 31, 2005	\$ 107,610
Add: governmental capital assets as of March 31, 2005	431,268
Deduct: accumulated depreciation as of March 31, 2005 on above assets	(226,749)
Governmental net assets, restated, as of March 31, 2005	\$ 312,129

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget amounts</u>			Actual Over (Under) <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Government Contributions	\$ 79,500	\$ 79,500	\$ 85,500	\$ 6,000
Charges for Services - Fire Runs	12,100	12,100	40,950	28,850
Interest Income	200	200	7,172	6,972
Grant Income	27,000	27,000	52,535	25,535
Other Income	<u>2,400</u>	<u>2,400</u>	<u>2,952</u>	<u>552</u>
Total Revenue	<u>\$ 121,200</u>	<u>\$ 121,200</u>	<u>\$ 189,109</u>	<u>\$ 67,909</u>
EXPENDITURES				
Salaries and Wages	\$ 30,000	\$ 26,243	\$ 26,243	\$ 0
Payroll Taxes	2,300	1,914	2,008	94
Office Supplies	1,000	1,961	1,961	0
Operating Supplies	1,500	5,661	8,478	2,817
Professional Fees	1,000	0	0	0
Membership Dues	100	781	1,566	785
Utilities	5,800	5,485	5,485	0
Training and Education	6,000	6,807	6,807	0
Insurance	20,000	17,386	19,026	1,640
Building Maintenance	2,500	1,202	1,201	(1)
Equipment Maintenance	10,000	13,741	13,740	(1)
Capital Outlay	36,000	98,322	95,506	(2,816)
Contingency	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 121,200</u>	<u>\$ 179,503</u>	<u>\$ 182,021</u>	<u>\$ 2,518</u>
Excess of Revenue Over (Under) Expenditures	\$ 0	\$ (58,303)	\$ 7,088	\$ 65,391
FUND BALANCE - April 1, 2005	<u>107,610</u>	<u>107,610</u>	<u>107,610</u>	<u>0</u>
FUND BALANCE - March 31, 2006	<u>\$ 107,610</u>	<u>\$ 49,307</u>	<u>\$ 114,698</u>	<u>\$ 65,391</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2006

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the Department incurred expenditures which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>	Over <u>Budget</u>
Payroll Taxes	\$ 1,914	\$ 2,008	\$ 94
Operating Supplies	5,661	8,478	2,817
Membership Dues	781	1,566	785
Insurance	17,386	19,026	1,640

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

October 31, 2006

Townships of Pittsford and Jefferson Fire Department
Pittsford, Michigan

In connection with our audit of the Townships of Pittsford and Jefferson Fire Department for the year ended March 31, 2006, we would like to make the following comments and recommendations:

1. During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Payroll Taxes	\$ 1,914	\$ 2,008	\$ 94
Operating Supplies	5,661	8,478	2,817
Membership Dues	781	1,566	785
Insurance	17,386	19,026	1,640

We recommend that the budget be carefully reviewed and amended prior to year-end to avoid any line-item overages.

2. Payments should only be made from invoices showing details of the expenditure, never from the monthly statements.
3. The Department needs to establish better procedures for expenditures in order to expedite the issuance of payment. Many invoices are being paid late. Invoices should be sent directly to the Jefferson Township clerk for payment.
4. The Department needs to establish a capitalization policy.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Company, P.C.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT

October 31, 2006

Bailey, Hodshire & Company, P.C.
479 E. Chicago Road
Jonesville, MI 49250

We are providing this letter in connection with your audit of the financial statements of the Townships of Pittsford and Jefferson Fire Department as of March 31, 2006, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Townships of Pittsford and Jefferson Fire Department and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 31, 2006, the following representations made to you during your audit.

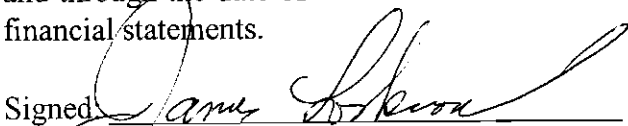
1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you-
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of meetings of the Fire Board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There has been no communication from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We are in agreement with the adjusting journal entries you have recommended.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management
 - a. Employees who have significant roles in internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the correction actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. Townships of Pittsford and Jefferson Fire Department has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenue, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which Townships of Pittsford and Jefferson Fire Department is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
14. We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified, and disclosed to you, all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. Except as made known to you, there are no -
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Department (FASB) Statement No. 5, *Accounting for Contingencies*.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
16. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
 17. Except as made known to you, Townships of Pittsford and Jefferson Fire Department has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 18. Townships of Pittsford and Jefferson Fire Department has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 20. The financial statements properly classify all funds and activities.
 21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 23. Provisions for uncollectible receivables have been properly identified and recorded.
 24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 27. Deposits and investment securities are properly classified as to risk, and investments are properly valued..
 28. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
 29. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed



Title:

Treasurer